



Fiscal Year 2014~15  
Annual Operating Budget  
&  
Capital Improvement Program

City Council Workshop

May 21, 2014



# Budget Workshop Agenda



- Introduction
- FY2014-15 Highlights
  - 5-Year Capital Improvement Program
  - Annual Operating Budget
  - Temecula Community Services District
- 5-Year Financial Plan
- Proposed Budget Policies

# Introduction



- City Profile

- Population: 106,289 (1.3% increase from 2013)
- Median Age: 34
- Number of Households: 33,535
- 2013 Temecula Average Household Income: \$80,729
- Median Existing Home Sales Price: \$427,009 (March 2014)
- 2013 Number of Jobs: 42,983
- Temecula Unemployment: 5.6% (April 2014)



# Introduction



- Quality of Life Master Plan Core Values
  - Healthy and Livable Community
  - Economic Prosperity
  - A Safe and Prepared Community
  - A Sustainable City
  - Transportation Mobility and Connectivity
  - Accountable and Responsive City Government



# Introduction



## • QLMP Progress





# Introduction



## • QLMP Progress

*9 projects completed!*

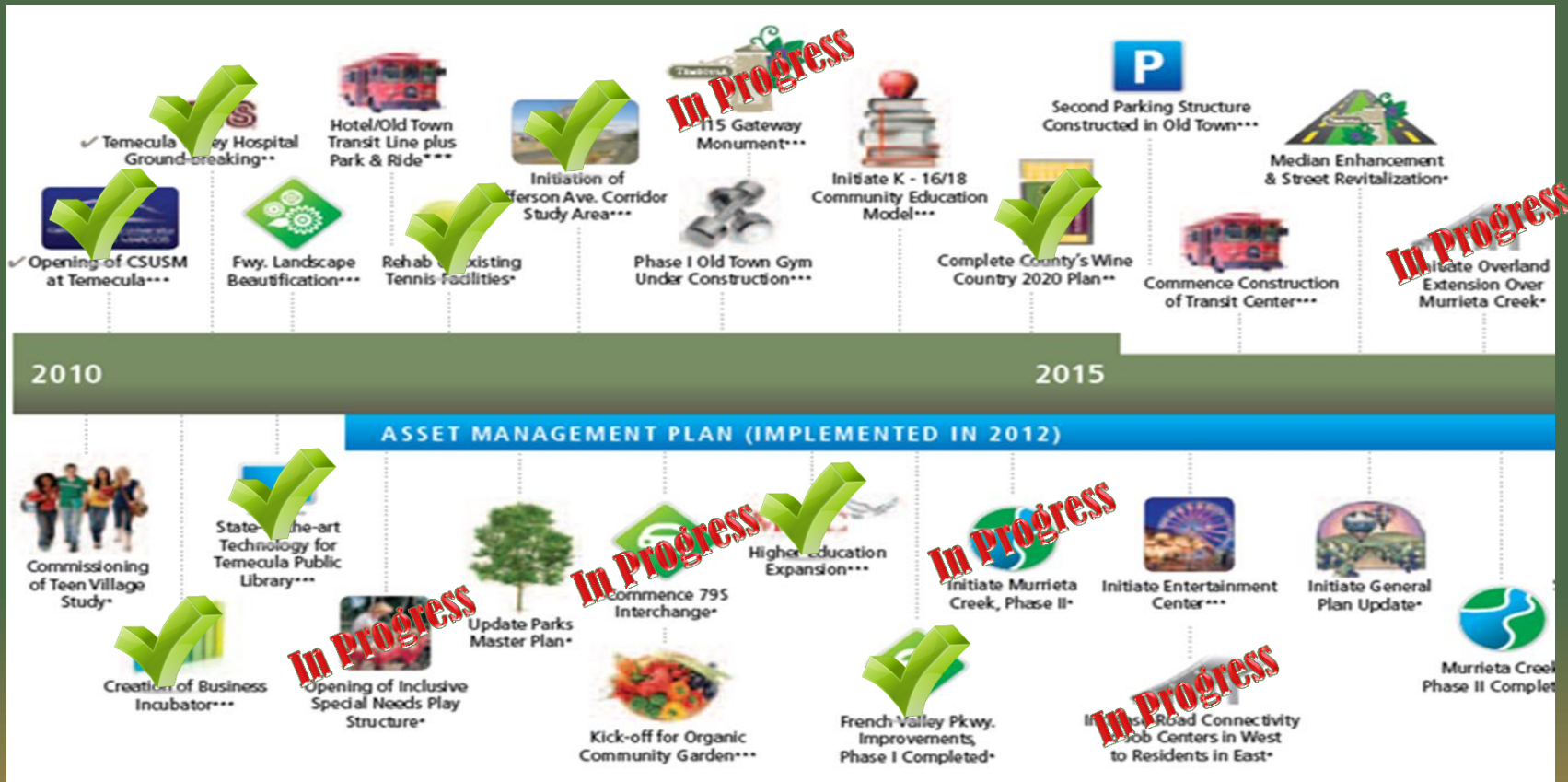


# Introduction



## • QLMP Progress

*6 additional projects in progress*





# Fiscal Years 2015-2019 Capital Improvement Program





# Capital Improvement Program

## Fiscal Years 2015-2019



### Highlights:

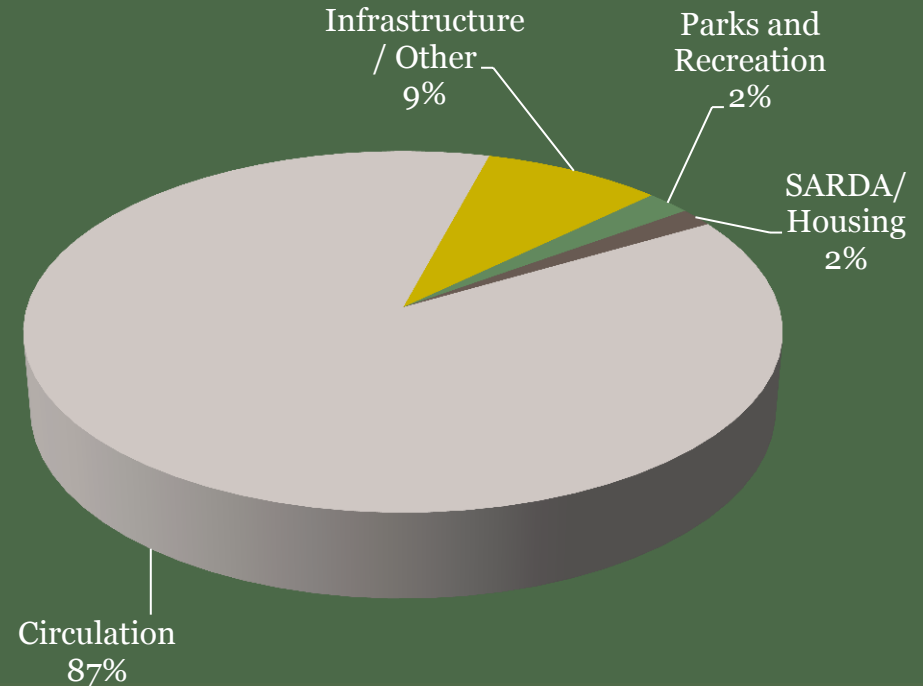
- \$451.9 million in Total Project Costs
  - \$326.2 million programmed to complete projects
  - \$125.7 million spent-to-date
    - \$221.8 million funded
- 49 Capital Projects
- \$12.3 million appropriated in FY14-15
- \$48.3 million carried over from prior years

# Capital Improvement Program

## Fiscal Years 2015-2019



Type of Project	Number of Projects	Cost to Completion
Circulation	17	\$285,451,085
Infrastructure/ Other	22	\$28,368,905
Parks and Recreation	9	\$7,024,462
SARDA/ Housing	1	\$5,356,744
<b>TOTAL</b>	<b>49</b>	<b>\$326,201,196</b>



# Capital Improvement Program Fiscal Years 2015-2019



## Circulation Projects

17 Projects totaling \$285,451,851

- French Valley Parkway/  
I-15 Phase II
- I-15/State Route 79  
Ultimate Interchange
- Murrieta Creek Bridge &  
Overland Dr. Extension
- Pavement Rehabilitation Program
- Traffic Signal Equipment Replacement Program



# Capital Improvement Program Fiscal Years 2015-2019



## Infrastructure Projects

22 Projects totaling \$28,368,905

- City Sidewalks
- Bike Lane & Trail Program
- City Facilities Rehabilitation
- Library Parking – Phase II
- Pauba Road Sidewalks
- Citywide Surveillance Cameras





# Capital Improvement Program

## Fiscal Years 2015-2019



## Infrastructure Projects, continued

22 Projects totaling \$28,368,905

- Temecula Park & Ride
- Theater Remediation
- Former YMCA Repair & Remediation
- Evaluation of Disabled Access to City Facilities
- Fire Station #73 Living Quarters Upgrade





# Capital Improvement Program Fiscal Years 2015-2019



## Parks & Recreation Projects

9 Projects totaling \$7,024,462

- Pennypickle's Workshop Exhibit/Enhancement Project
- Parks Improvement Program
- Playground Equipment & Safety Enhancement



# Capital Improvement Program Fiscal Years 2015-2019



## Parks & Recreation Projects

9 Projects totaling \$7,024,462

- Sam Hicks Monument Park Playground Replacement
- Senior Citizen Outdoor Fitness Lot
- Special Needs Playground



# Capital Improvement Program Fiscal Years 2015-2019



## SARDA/Housing Projects

Available Funding \$5,356,744

- Affordable Housing
  - ✦ Remaining 2010 bond proceeds
  - ✦ Specific Project(s) to be identified







# Next Steps

*Planning Commission – May 21, 2014*

*Public Traffic Safety Commission - May 22, 2014*

*Community Services Commission - June 9, 2014*

*City Council, Formal Adoption - June 10, 2014*



# FY2014-15 Annual Operating Budget





# FY14-15 Annual Operating Budget



## General Fund



# FY14-15 Annual Operating Budget



## General Fund Highlights:

Revenue	\$61,977,759
<u>Expenditures</u>	<u>\$61,639,375</u>
Revenue – Expenditures	\$338,385
Transfers Out:	
- Capital Improvement Projects	\$1,069,902
- Intern Fellowship Program	\$12,000
- Affordable Housing Fund	\$23,307
- Business Incubator Fund	<u>\$39,693</u>
	\$1,144,902

# FY14-15 Annual Operating Budget



## General Fund Highlights:

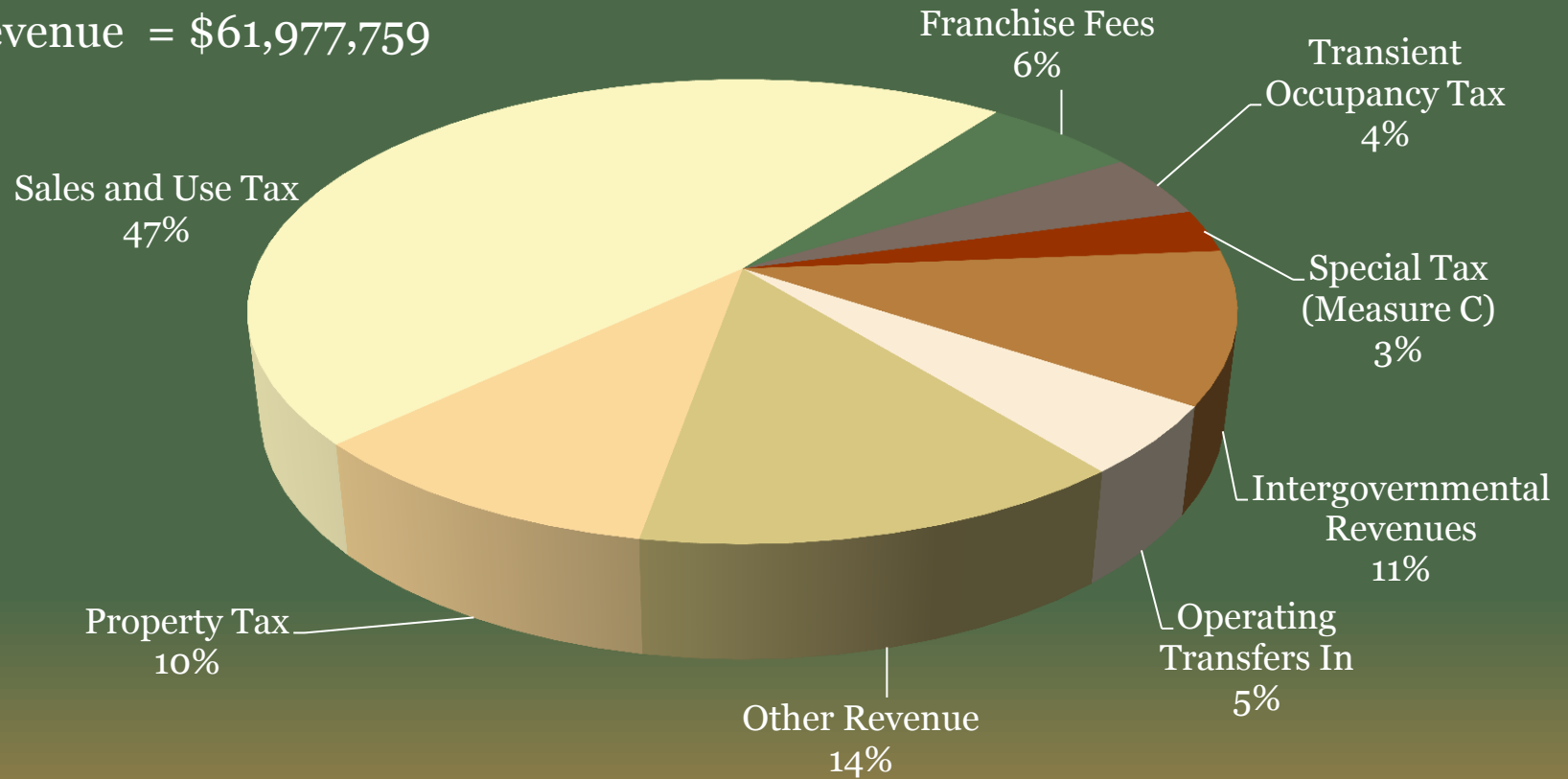
- 7/1/14 Beginning Fund Balance \$23,437,974
- 6/30/15 Ending Fund Balance \$23,447,859
  - Reserved for Economic Uncertainty (20%) \$12,327,875
  - Reserved for Compreh. Annual Leave \$1,170,243
  - Assigned to Capital Projects \$4,506,333
  - Assigned to Unrealized Gains \$250,000
  - Available/Secondary Reserve \$5,193,408

# FY14-15 Annual Operating Budget



## General Fund Revenue:

Revenue = \$61,977,759



# FY14-15 Annual Operating Budget



## General Fund Revenue:

	<u>FY14-15</u>	<u>% Chg</u>	<u>Assumptions</u>
Property Tax	\$6,332,015	4.2%	Increased Property Values
Sales and Use Tax	29,273,980	2.7%	Growth in most sectors
Franchise Fees	3,736,896	2.7%	Projected inflation
Transient Occupancy Tax	2,766,390	2.2%	Projected inflation
Special Tax (Measure C)	1,861,617	-0.1%	Higher allocation to TCSD
Intergovernmental Revenues	6,560,736	3.5%	Increased Property Values
Operating Transfers In	2,973,923	1.0%	Increased Gas Tax
<u>Other Revenue</u>	<u>8,472,202</u>	<u>-2.9%</u>	Reduced Reimbursements
Total General Fund Revenue	\$61,977,759	1.9%	

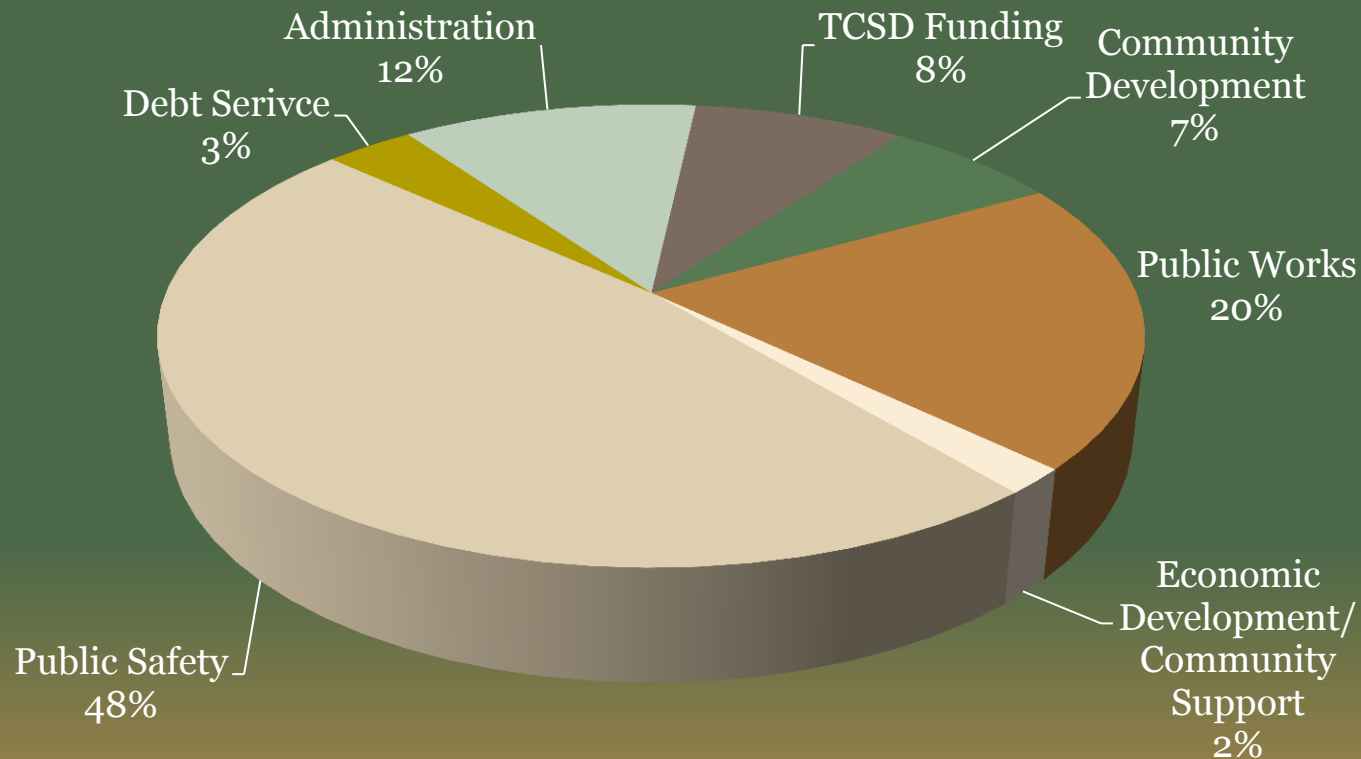


# FY14-15 Annual Operating Budget



## General Fund Expenditures:

Expenditures = \$61,639,375



# FY14-15 Annual Operating Budget



## General Fund Expenditures:

- Police Department (39% of General Fund)
  - Operating Budget = \$23,870,353
  - Total staffing = 134
    - 100 Sworn Officers, 19 CSOs, 15 Administrative
  - 6% increase in Sheriff Contract, offset by:
    - Continuation of 3 vacant positions (\$832k)
      - SET Officer, Motorcycle Officer, Accident Investigator
  - Continued cost sharing arrangement with TVUSD
    - 50% for 5 School Resource Officers



# FY14-15 Annual Operating Budget



## General Fund Expenditures:

- Fire Department (8% of General Fund)
  - Total Staffing = 65
  - Operating Budget = \$12,131,288
    - Less Fire Tax Credit of \$6,974,780
    - General Fund impact of \$5,156,508
  - 5.6% increase in Fire Contract, offset by:
    - Chief vacancy, 6 months (\$138k)
    - Command structure will maintain 2 Battalion Chiefs & 1 Fire Safety Supervisor
  - Maintaining staffing ratio of 4 personnel/engine



## General Fund Expenditures:

- Community Support Grants (non-profits) = \$76,000
  - \$60,000 annual allocation
  - \$16,000 additional from 2014 Rod Run proceeds
- TCSD Funding Contribution (formerly called “REST”) = \$5,094,696
  - Recreation = \$4,074,216
  - Library = \$649,932
  - Service Level B – Residential Street Lights = \$370,548

## General Fund Expenditures:

- Recommended Over Target Requests:
  - Update to City Website (\$60k)
  - Cost Allocation Plan and Fee Study (\$75k)
  - Update of KMA Study of Old Town/Infill Projects (\$100k)
  - Classification & Organizational Efficiency Study (\$11k)
  - Replacement of 3 Public Works vehicles (\$82.5k)
  - Election costs, allocated by Riverside County (\$119k)
  - Maintenance for Skyview Park (Roripaugh) for six months (\$25k)



## Staffing/Salaries & Benefits:

- No additional full-time/benefitted staff
- Project staff held constant to FY13-14 levels
  - Unless offset by operational savings
- Memorandum of Understanding (MOU) impacts included
- Intern Fellowship Program funded at \$12,000
  - “Just Add One” campaign to partner with private sector

# FY14-15 Annual Operating Budget



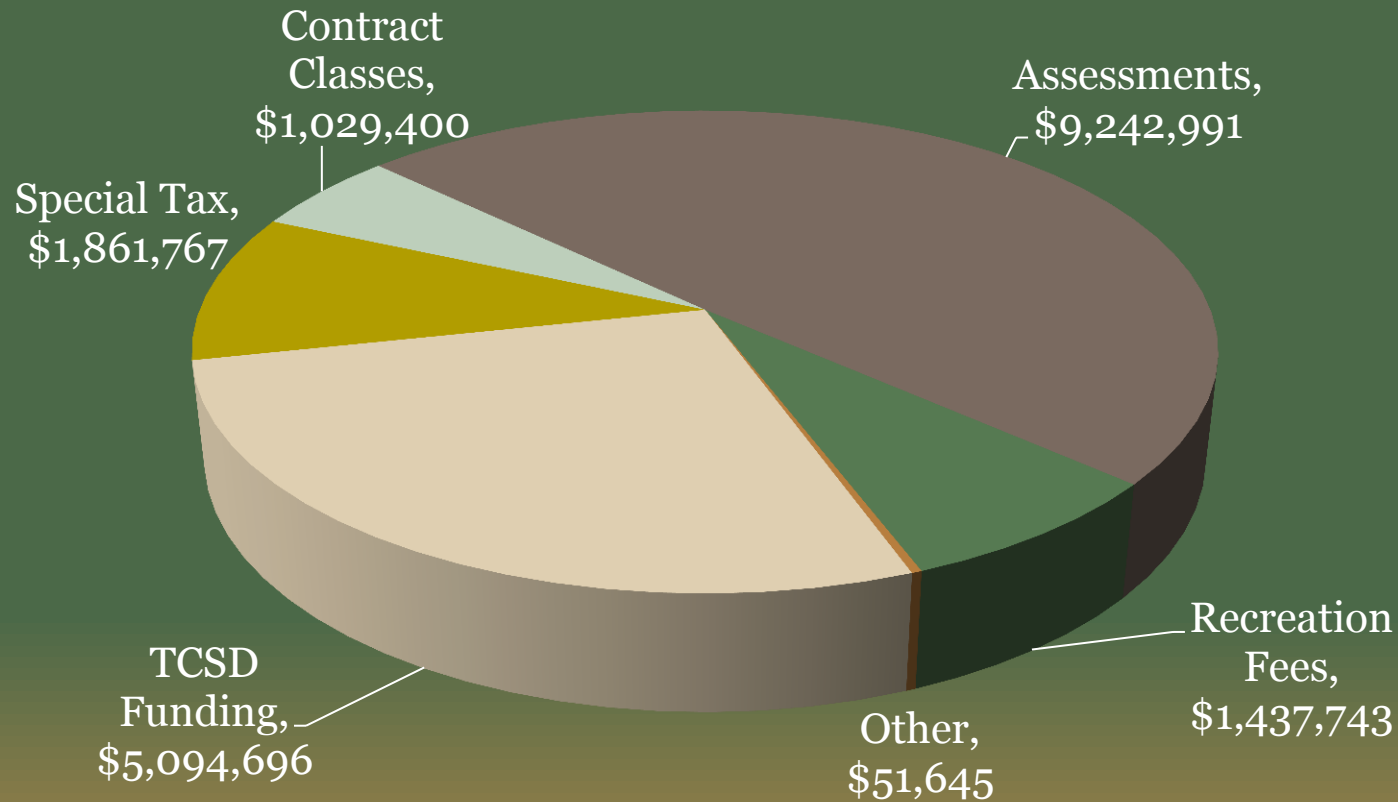
## Temecula Community Services District (TCSD)



# FY14-15 Annual Operating Budget



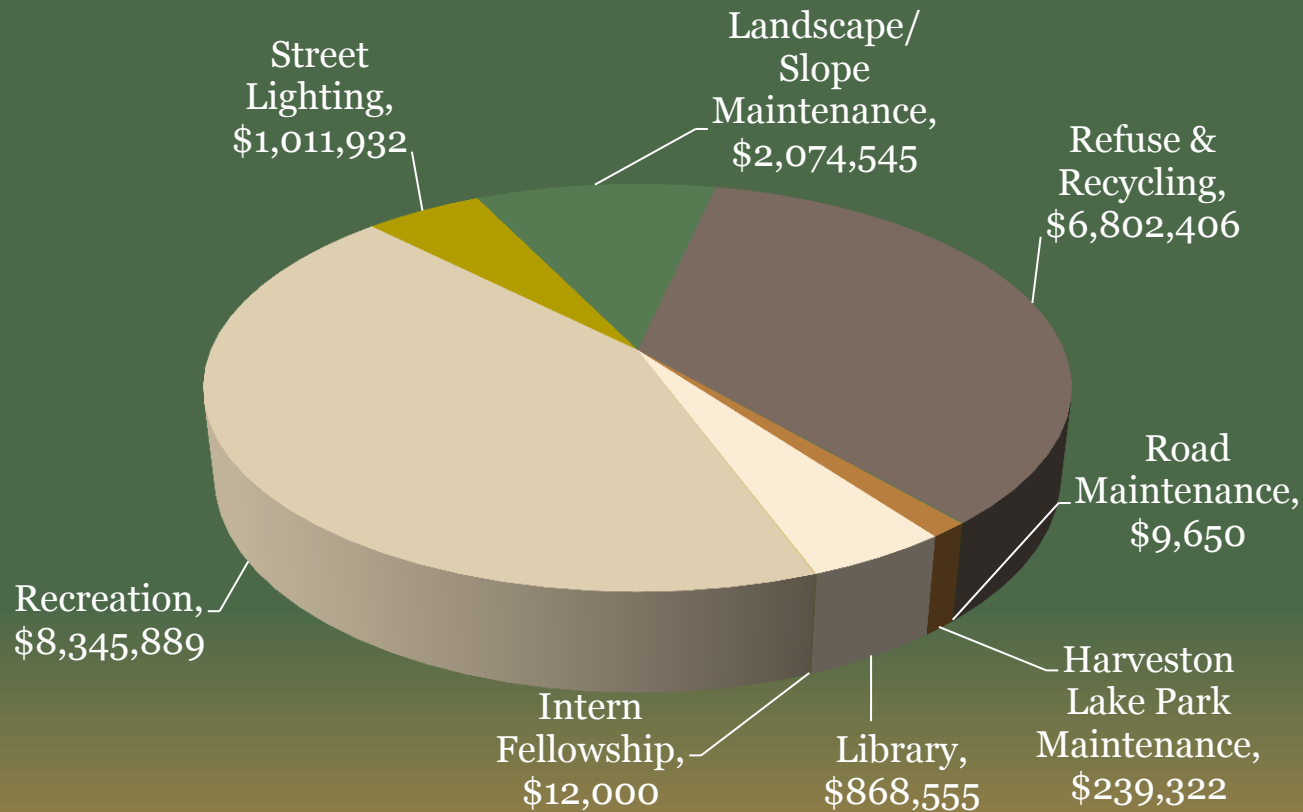
TCSD Revenue = \$18,718,242



# FY14-15 Annual Operating Budget



## TCSD Expenditures = \$19,364,299

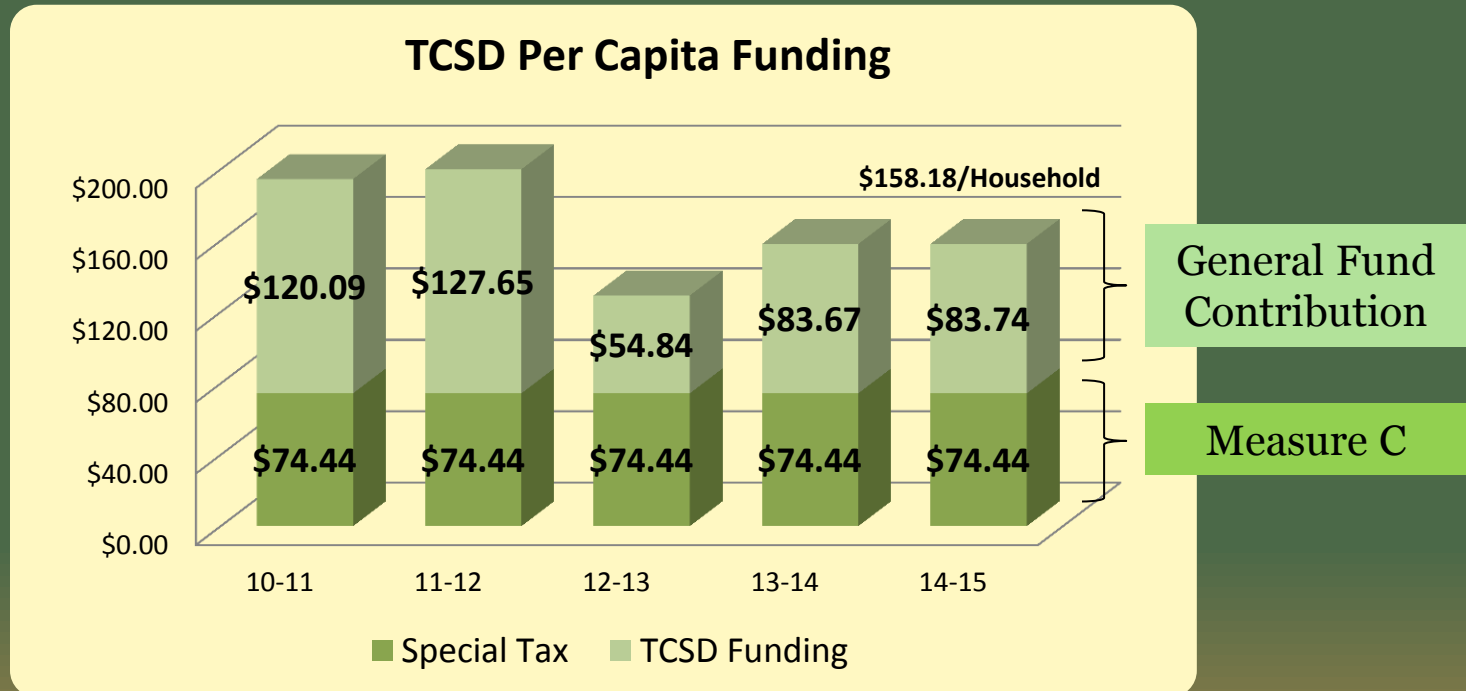


# FY14-15 Annual Operating Budget



## TCSD Per Capita Funding

- Special Tax (Measure C) fixed at \$74.44/Household



*Note: TCSD Funding reduced in FY 12-13 due to Parks Maintenance moving to General Fund*



## Temecula Community Services District (TCSD)

- 2014-15 Program Highlights
  - Re-opening of Temecula Community Center (TCC)
  - Full-time utilization of Jefferson Recreation Center (JRC)
  - Human Services/Special Needs Programs
  - Cultural Arts
    - Movies in the Park, Summer Concert Series, Street Painting



## Temecula Community Services District (TCSD)

- 2014-15 Program Highlights, continued
  - Old Town/Signature Events
    - Rod Run, Western Days, 4<sup>th</sup> of July Fireworks Show & Parade, Santa's Electric Light Parade, Temecula On Ice
  - Recreation/Sports
  - Active Adult/Senior Programs





# Successor Agency to the Temecula Redevelopment Agency (SARDA)



# FY14-15 Annual Operating Budget



## SARDA Operating Budget

- Debt Service \$6,615,533
- Enforceable Obligations \$1,231,000
  - Abbott OPA
  - Abbott DDA
  - Affordable Housing Obligations







# Next Steps

*The proposed Operating Budget along with the CIP will be presented to the City Council for formal adoption on June 10<sup>th</sup>*





# 5-Year Financial Plan



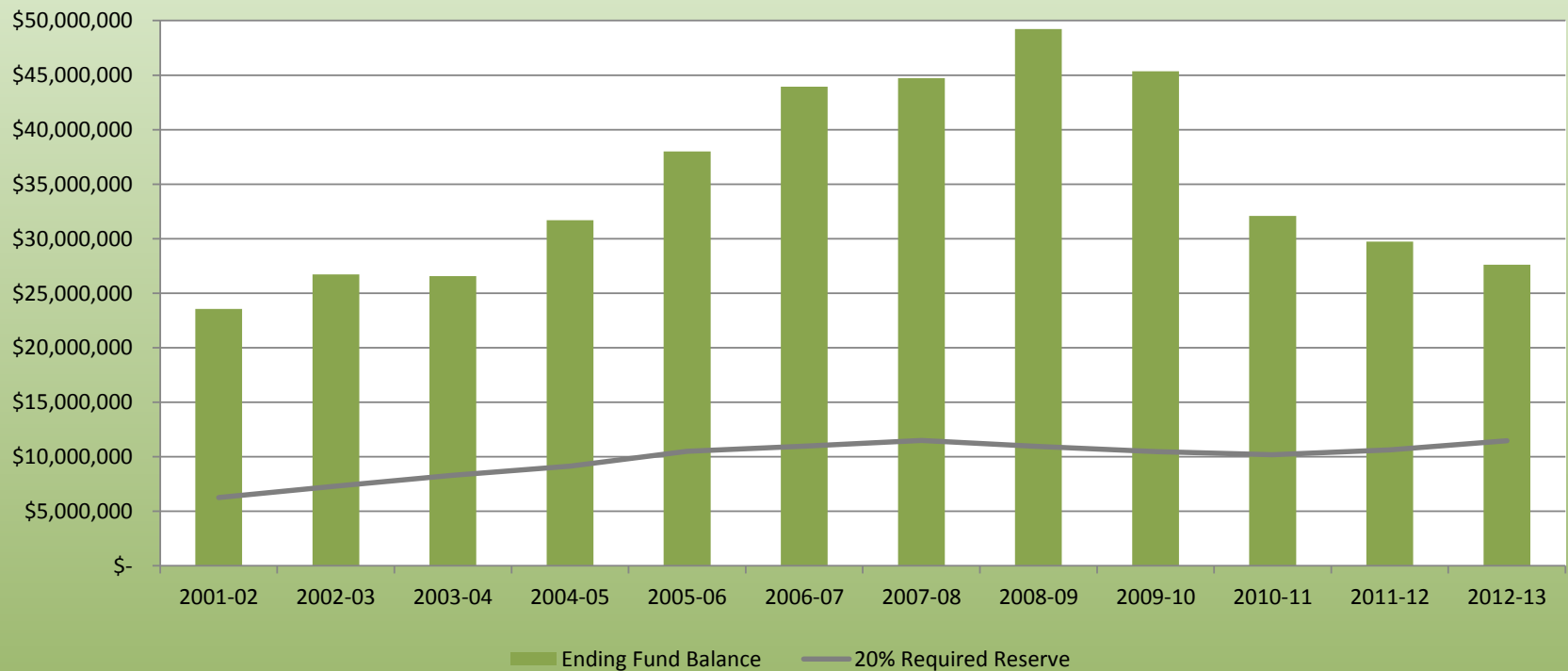
## General Fund Historical Perspective

- Accumulation of resources has allowed for the creation of outstanding City facilities/programs/service levels
- Strong fiscal management carried City through the Great Recession
- Significant investments have been made since 2008-09
  - Facilities
  - Road Maintenance
  - Infrastructure

# 5-Year Financial Plan



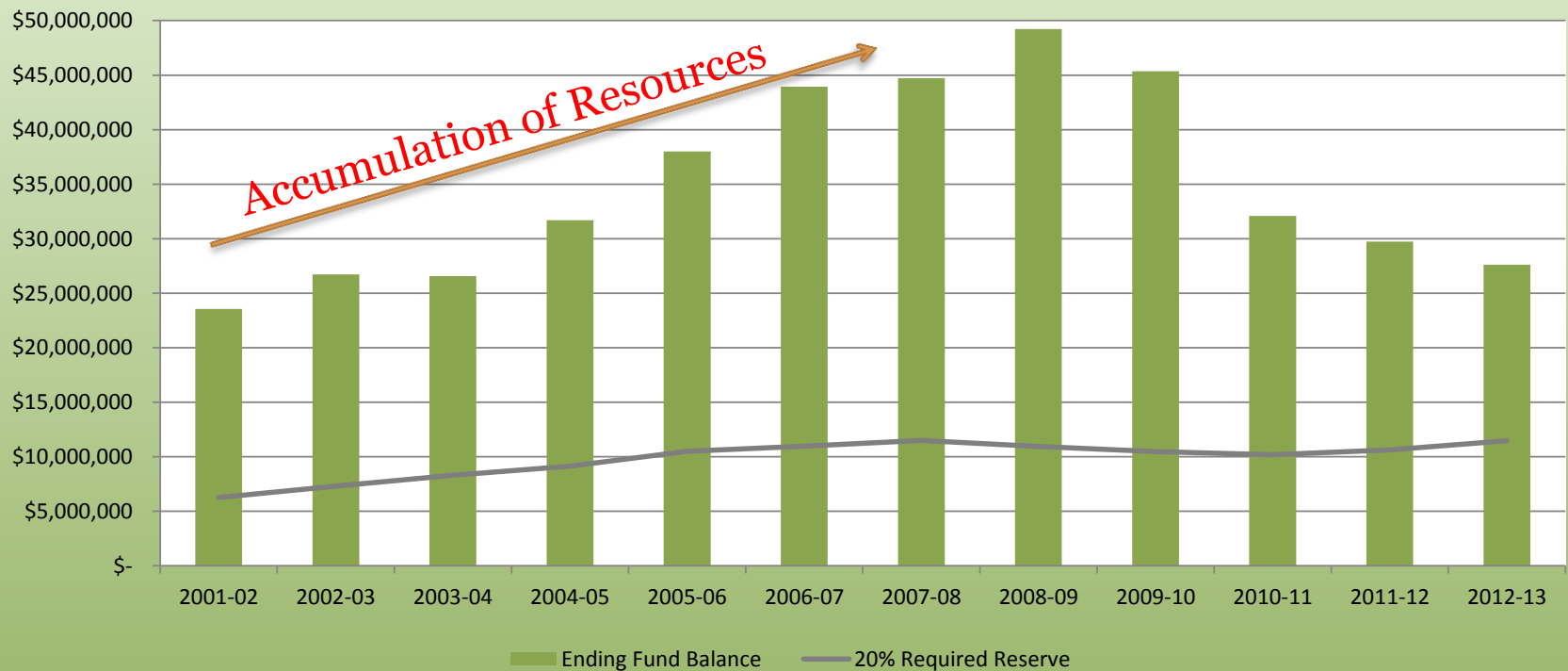
## General Fund - Ending Fund Balance Trend



# 5-Year Financial Plan



**General Fund - Ending Fund Balance Trend**



# 5-Year Financial Plan



## General Fund - Ending Fund Balance Trend







## Investment of Resources

- Since 2008-09, the City has strategically invested its Secondary Reserves in infrastructure, facilities and pavement rehabilitation



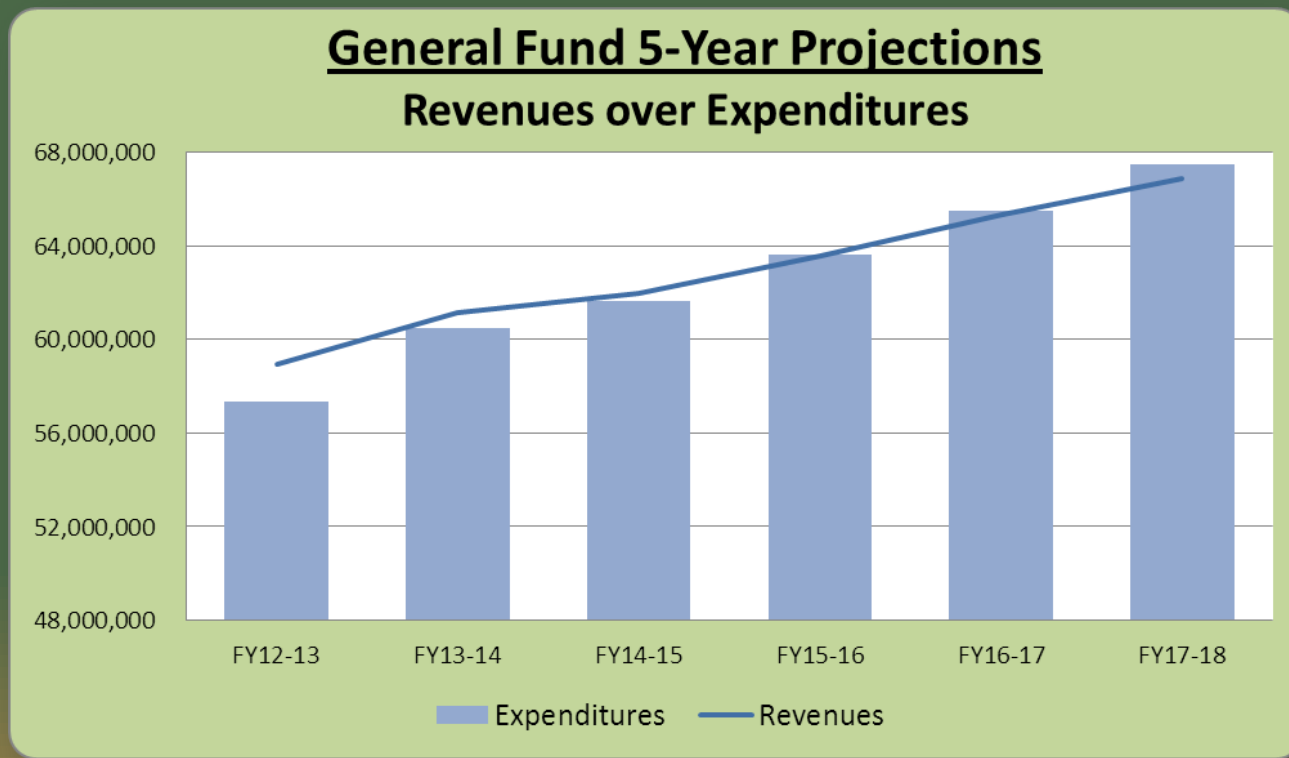
## Transition from a Growth-City

- City is transitioning into “maintenance mode”
- Shift focus to:
  - **Preservation/replacement of City assets**
    - roads, facilities, infrastructure, technology
  - Long-term strategic planning
  - **Fiscally sustainable programs/services**
    - Minimize subsidies

# 5-Year Financial Plan



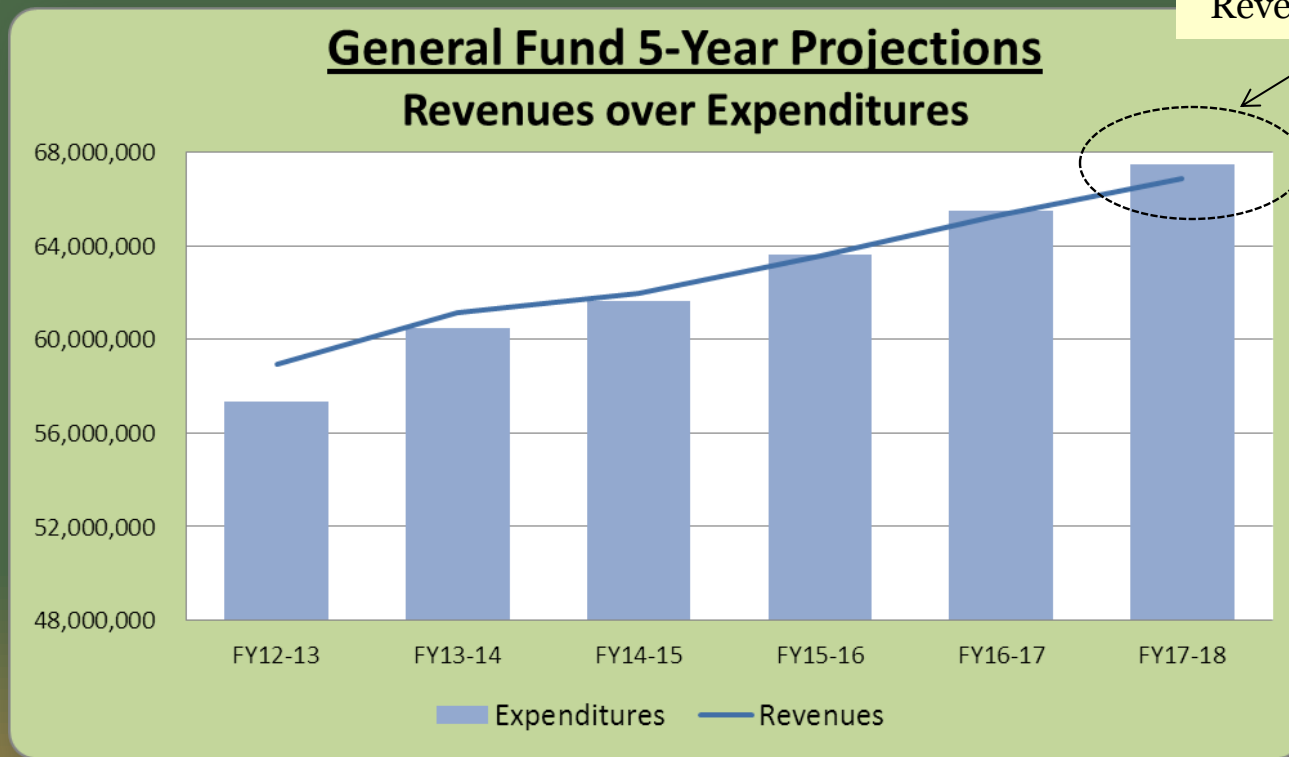
## Future Projections – status quo



# 5-Year Financial Plan



## Future Projections – status quo



## 5-Year Challenges

- Identify ongoing funding sources for Pavement Management Program
  - Secondary Reserve is a finite source of funds
- Adequate cost recovery for City services
  - Fund subsidies are not sustainable
    - TCSD, Service Levels, Affordable Housing
- Maintain Temecula's high quality of life
  - Amenities, service levels, programs



## Recommendation

- Staff recommends the City Council form a “Long-Term Fiscal Planning” ad hoc sub-committee to work with Staff to:
  - Develop initiatives to address challenges facing City
  - Develop strategies to guide future budgetary decisions



# Proposed Budget & Fiscal Policies





## Policy Modification

- 20% Reserve for Economic Uncertainty eligible uses:
  - Local disasters/acts of nature
  - Loss of major revenue source(s) due to financial hardship or economic downturn
  - State-imposed revenue reduction or mandated payments
  - Significant unanticipated expenditures
  - Substantial payout of Comprehensive Annual Leave



## Proposed New Policy

- Establish a “Secondary Reserve for Contingencies”
  - Additional reserve equal to 5% of General Fund Expenditures
- Use of funds limited to:
  - Cover annual revenue shortfall (operating deficit)
  - One-time Capital investments that create long-term savings
  - Leverage grant funds
  - Funding that creates economic benefit to City



## Proposed New Policy

- Contingency Planning
  - Provides for a measured response to potential fiscal challenges
  - Outlines the hierarchy of utilizing reserve funds
    - Dictated by type of fiscal challenge
  - One-time events (i.e. disaster or State mandated payment)
    - Appropriate to use Secondary Reserve first
    - Use Reserve for Economic Uncertainty as last resort





## Proposed New Policy

- Contingency Planning, continued
  - Ongoing fiscal constraints (i.e. loss of major revenue source)
    - Secondary Reserve shall be utilized first
    - Use of Reserve for Economic Uncertainty shall not exceed two budget cycles
      - Provides Management time to implement reduction measures
      - Limits dependency on reserves to cover Operations
  - Implementation of Contingency Plan requires Council approval



## Proposed New Policy

- Replacement Funds
  - **Vehicles & Equipment Fund**
    - Establishes criteria for asset replacement
      - 3+ year useful life with cost in excess of \$10,000
  - **Technology Replacement Fund**
    - New fund
    - Establishes criteria for technology equipment/software replacement
      - Annual lifecycle replacement
      - 3+ year useful life with cost in excess of \$3,000



# Special Thanks!

To all Department Directors & Analysts  
&

Temecula's Budget Team

Heidi Schrader, Rudy Graciano, Pascale Brown,  
Shirley Robinson, Evelyn Watson





# Questions/Discussion

